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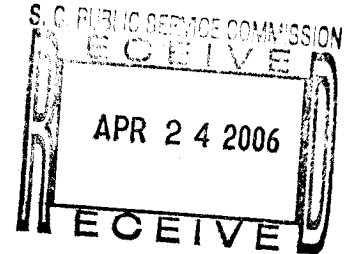
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179137

January 21, 2006

John M.S. Hoefer, Esquire
Willoughby & Hoefer, P.A.
Post Office Box 8416
Columbia, SC, 29202-8416



RE: Application of Tega Cay Water Service, Incorporated for Adjustment of Rates
and Charges and Modifications to Certain Terms and Conditions for the Provision
of Water and Sewer Service

Docket No. ~~2005~~-2006-97-WS

Dear Mr. Hoefer:

Please find enclosed and served on you the Office of Regulatory Staff's First Continuing
Data Requests in the above referenced matter. Please let me know if you have any questions.

Sincerely,

Wendy B. Cartledge
Wendy B. Cartledge

WBC/pjm

Enclosure

cc: Mr. Charles L.A. Terreni

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2006- 97 -W/S

IN RE: Application of Tega Cay Water)	
Service, Inc. for adjustment of rates)	
and charges and modifications to)	Office of Regulatory Staff's First
certain terms and conditions for)	Set of Continuing Data Requests
the provision of water and sewer)	
<u>service.</u>)	

TO: JOHN M. S. HOEFER, ESQUIRE, AND BENJAMIN P. MUSTIAN, ESQUIRE,
ATTORNEYS FOR THE APPLICANT, TEGA CAY WATER SERVICE, INC.

INSTRUCTIONS

Pursuant to S.C. Code Ann. Section 58-4-10, 58-4-50, and 58-4-55, as enacted by 2004 S.C. Acts 175 and to 26 S.C. Code Regs. 103-853 (Supp. 2005), the Office of Regulatory Staff hereby serves its First Set of Continuing Data Requests upon Tega Cay Water Service, Inc. (hereafter referred to as "Tega Cay" or "the Company"). The Office of Regulatory Staff hereby requests that you answer the following data requests in writing and under oath and serve the undersigned within ten (10) days after service of this Data Request at the Office of Regulatory Staff, 1441 Main Street, Suite 300, Columbia, South Carolina, 29201. If you are unable to respond to any of the data requests, or part or parts thereof, please specify the reason for your inability to respond and state what other knowledge or information you have concerning the unanswered portion.

As used in these data requests, "identify" means, when asked to identify a person, to provide the full name, title, and current address and telephone number of the person. When asked to identify or provide a document, "identify" and "provide" means to provide a full and

detailed description of the document and the name and address of the person who has custody of the document. In lieu of providing a full and detailed description of a document, you may attach to your responses a copy of the document and identify the person who has custody of it. When the word "document" is used herein, it means any written, printed, typed, graphic, photographic, or electronic matter of any kind or nature and includes, but is not limited to, statements, contracts, agreements, reports, opinions, graphs, books, records, letters, correspondence, notes, notebooks, minutes, diaries, memoranda, transcripts, photographs, pictures, photomicrographs, prints, negatives, motion pictures, sketches, drawings, publications, and tape recordings. As used in this data request, "address" means mailing address and business address.

Wherever in this data request a masculine pronoun or possessive adjective appears, it refers to both males and females in accordance with traditional English usage.

IT IS THEREFOREIN REQUESTED:

- A. That all information shall be provided to the undersigned in the format as requested.
- B. That all responses to the requests below be labeled using the same numbers as used herein.
- C. That each of the enumerated data requests be reproduced at the beginning of each of the responses.
- D. That if the requested information is found in other places or in other exhibits, reference not be made to those, but instead, that the information be reproduced and placed in the data request in the appropriate sequence.
- E. That any inquiries or communications relating to questions concerning clarifications of the data requested below be directed to the undersigned.
- F. That all exhibits be reduced to 8 ½" x 11" format, where practical.
- G. That the requested information be bound in ring binders (loose leaf notebooks) or otherwise suitably bound.

- H. That in addition to the signature and verification at the close of the Company's responses, the Company witness(es) or employee(s) responsible for the information contained in each response be indicated.
- I. That the Company provide to the Office of Regulatory Staff two copies of the responses to this data request as soon as possible but no later than ten (10) days after service thereof.
- J. If the response to any data request is that the information requested is not currently available, please state when the information requested will be available.
- K. This data request shall be deemed to be continuing so as to require the Company to supplement or amend its responses as any additional information becomes available.

QUESTIONS

- 1.1 Identify the names and business titles of all people who provided information for the preparation of the Application.
- 1.2 Identify the names and business titles of all people who provided information for the preparation of the Application exhibits. Indicate the individuals who calculated the numbers for each exhibit of the Application and list the appropriate exhibit next to the individual's name.
- 1.3 Identify any construction and/or upgrades proposed for or taking place at facilities operated by Tega Cay since the 1996-137-W/S rate case application was filed. Provide the project description and timeframe for completion.
- 1.4 State the actual and projected costs of each construction and/or upgrade listed in response to 1.3.
- 1.5 Identify any subsidiary, parent and affiliated companies of Tega Cay and state which entities, if any, are regulated by the Public Service Commission of South Carolina.
- 1.6 Identify all related party transactions during the test year. Related party transactions include, but are not limited to, all transactions between Tega Cay and employees, officers, affiliated companies, parent company, subsidiaries and their employees, or officers thereof.

- 1.7 Identify all businesses that share the same office space as Tega Cay.
- 1.8 List all real estate and land rights owned by Tega Cay. If applicable, state the date of the purchases or acquisitions, the purchase price, and the location of the real estate and the physical areas to which any land rights apply.
- 1.9 List all real estate and land rights, if any, sold by Tega Cay since the last Tega Cay rate case. Please state the date of the sale, the sale price and the location of the real estate sold and the physical areas to which any land rights applied.
- 1.10 Provide a detailed listing of the number of residential and commercial customers as of October 1, 2004, September 30, 2005 and April 1, 2006. Provide a detailed breakdown of Exhibit B page 14 by customer classification, service type and zip code of the service area. Please provide this electronically via an Excel spreadsheet.
- 1.11 State Tega Cay's practices and procedures for employee and officer bonuses.
- 1.12 Provide any written guidelines for inspecting systems and/or performing maintenance on Tega Cay systems. Provide a schedule of maintenance for all systems listed in Exhibit C page 2 of the Application, indicating maintenance type and status (i.e. completed, on-going, anticipated, etc.) for the following calendar years: 2004, 2005, 2006, 2007, and 2008.
- 1.13 Provide details and documentation regarding any DHEC fines paid or assessed for 2003 to the present. If DHEC fines were levied, identify what reasons and in what amounts were the fines issued. Provide a copy of the orders dictating the fines. Indicate where the impact of fines is illustrated in Tega Cay's financial statements. Does Tega Cay have any outstanding noted violations by DHEC since the last rate case data request? If so, what are they and provide a copy of the documentation generated by DHEC (i.e., notice of violations, warning letters, etc.). If applicable, provide a copy of Tega Cay's response.
- 1.14 Provide the most current DHEC Drinking Water Sanitary Survey for the drinking water system listed on page 2 of Exhibit C in the Application.
- 1.15 Provide the most current DHEC Wastewater Treatment Facility Operation and Maintenance Evaluation Report for all wastewater systems listed on page 2 of Exhibit C.
- 1.16 Provide a copy of the complete customer complaint log detailing all recorded customer service and billing complaints for the drinking water and sewer systems during the test year ending September 30, 2005.

- 1.17 Provide a copy of the complete customer complaint log detailing all recorded customer service and billing complaints for the drinking water and sewer systems for the time period October 1, 2005 through April 1, 2006.
- 1.18 Subsequent to the last rate case, has Tega Cay had a change in ownership, a change in stock holdings or any change in its corporate structure? If so, set forth and describe the prior ownership arrangement and the current ownership arrangement. Provide a copy of the latest organizational structure of Tega Cay, its sister companies, and its parent companies. Also, describe the relationship between Nuon Global Solutions USA, Inc. ("Nuon"), Hydro Star, AIG Global Investment Group, Utilities, Inc. (UI), and Tega Cay. Are any of the revenues generated by Tega Cay passed along to any of the above referenced companies? If so, describe the financial relationship.
- 1.19 Provide a copy of Tega Cay's performance bond that satisfies the requirements of S.C. Code Ann. §58-5-720 and Public Service Commission Regulations 103-512.3. and 103-712.3.
- 1.20 With the exception of UI, are there any outstanding loan agreements involving Tega Cay? If so, for each loan:
- State whether the loan is approved and finalized?
 - State whether Tega Cay is in receipt of the funds from the loan agreement?
 - Provide the loan amount.
 - Provide the interest rate.
 - Provide the loan period in months.
 - State the lender.
 - State the use or planned use of the loan.
 - Provide a copy of each loan agreement, its applicable amortization schedule, and any other relevant documentation.
- 1.21 Has there been any financing from UI to Tega Cay in the form of donations, contributions, loans or transfers for the purpose of capital projects, Construction Work In Progress, Allowance For Funds Used During Construction, or Contributions In Aid of Construction? What are the terms or conditions of any loan, contributions or transfers?
- 1.22 Apart from items mentioned in response to 1.21, what payments or transfers have been made from Tega Cay to UI each year for the past three years? Which of these payments represent profits from the subsidiary paid to the parent? If such payments or transfers are not how UI receives profits from its Tega Cay subsidiary, then how does UI receive profits from Tega Cay?
- 1.23 List, in chronological order, by year, by customer classification/bill code and by month, the total number of bills issued to customers during 2003, 2004 and 2005. Use test year period for each year that is presented. Please include the

Management Customer Summary Report for each Tega Cay bill code for this timeframe.

- 1.24 State whether Tega Cay operates on a calendar or fiscal year. If Tega Cay operates on a fiscal year, please state during which month the fiscal year begins and ends.
- 1.25 Provide a copy of all contracts Tega Cay has with bulk water providers and wastewater treatment and disposal providers.
- 1.26 Identify the third party or municipal entity providing bulk water and wastewater treatment and provide the average monthly consumption per customer and the bulk rate per 1,000 gallons.
- 1.27 Provide all water consumption data for the test year ending September 30, 2005, including gallons billed by bill code and test-year month.
- 1.28 Itemize the components of the "Regulatory Commission Exp." as referenced in Exhibit B, page 2, 3, and 4 of the Application and provide a list of the itemized legal expenses and postage through the current date for this rate case.
- 1.29 Provide the amount of accrued interest on customer deposits as of October 1, 2004 and September 30, 2005.
- 1.30 Provide the amount listed in uncollectible accounts as of October 1, 2004 and September 30, 2005 and provide the calculation for the proposed uncollectibles associated with the rate increase.
- 1.31 Provide the amount of water pumped, purchased, and sold by Tega Cay during the test year ending September 30, 2005. Please provide this electronically via an Excel spreadsheet.
- 1.32 Provide the amount paid by Tega Cay for Safe Drinking Water Act fees during 2004 and 2005. Provide an estimate of the Safe Drinking Water Act fees due for 2006.
- 1.33 Provide the complete detail of all Miscellaneous Revenue for the test year ending September 30, 2005 as listed on Exhibit B pages 2, 3, and 4 of the Application.
- 1.34 Provide the complete detail of pro forma plant and pro forma plant retirements as listed on Exhibit B pages 6, 7, and 8 of the Application. Detail should include project description, detailed expense amounts and service life estimates for all assets. Provide detail on how pro forma plant additions will be financed including amounts and lending institution.

- 1.35 Who pays for water that goes through the hydrants? Explain why a hydrant rate exists. Were the hydrants used during the test year? Was the use metered per the tariff? If so, what quantity was used? If the use was not metered, explain why it was not.
- 1.36 Provide all copies of monthly invoices for purchased water and wastewater treatment for all billed water distribution and wastewater collection charges for test year ending September 30, 2005. Identify the area(s) serviced on each invoice.
- 1.37 List the vendor name and the expense amount for the provider of supplemental water for the test year ending September 30, 2005.
- 1.38 Provide the amount in gallons of unaccounted for water by month during the test year ending September 30, 2005.
- 1.39 Provide a list of the number of units converted from water provision classification to water distribution classification only during the test year ending September 30, 2005. Likewise, provide a list of the number of units converted from wastewater treatment classification to wastewater collection only classification during the test year ending September 30, 2005.
- 1.40 In Exhibit "A", Page 2 of the Application, the third full paragraph on this page discusses how the utility will bill customers receiving water service where "it is impractical to meter each unit separately." Given this scenario, please describe how Tega Cay will deal with a delinquent customer of a multi-unit building consisting of less than four residential units served by a single meter.
- 1.41 In Exhibit "A", Page 6 of the Application, Section 3.b. discusses how Tega Cay will waive the "Customer Account Charge – for new customers only." Will the fee be waived if the customer takes the sewer service at a different time from the water service?
- 1.42 Is the cost for Tega Cay to comply with the National Primary Drinking Water Regulations: Stage 2 Disinfectants and Disinfection Byproducts Rule that was promulgated by EPA on January 4, 2006 included with this rate adjustment request? If so, please provide the details of the cost associated with compliance and the schedule for submittal of the various documents to the appropriate regulatory authority.
- 1.43 In Exhibit "A", Page 6 of the Application, Section 3.c. discusses the reconnection charge for sewer service. Explain how Tega Cay will charge a customer when an elder valve exists, as required by Commission Order No. 94-367.

- 1.44 The sample bill statement lists a North Carolina return address for payments to be mailed to Tega Cay Water Service, Inc. However, the organizational chart does not list Tega Cay Water Service, Inc. as having any operations in North Carolina. Does Tega Cay Water Service, Inc. have operations in North Carolina? Is Tega Cay Water Service, Inc. properly authorized to do business in North Carolina as a payment receiving entity? What assets does Tega Cay Water Service, Inc. have in North Carolina? Please clarify.
- 1.45 Provide detailed work papers for all proposed accounting and pro forma adjustments for revenues, expenses and rate base on Schedules B and C of the Application. Include detailed work papers for Rate Base adjustments from Docket No. 96-137-WS as shown on Schedule C of the application.
- 1.46 Does Tega Cay claim or anticipate claiming any state tax credits? If so, list the amount of the tax credit (or expected tax credit), and state where it is included in the financial information submitted with the Application.
- 1.47 Identify employees and officers employed at September 30, 2004, and 2005, including their position, date of hire, salary, bonuses, hours worked per week, exempt/non-exempt status, and duties.
- 1.48 Provide information on the following:
- A. How many taps have been connected to the systems owned by Tega Cay from inception of the system to the present? Please provide the number of taps by year.
 - B. How much revenue from tap fees has been collected from customers from inception of the system to the present?
 - C. What is the maximum number of taps that can be installed on the present system?
 - D. How many taps do you anticipate making per year during the next five years?
 - E. What were the total costs expensed for taps each period ending September 30, 2003, 2004, and 2005?
 - F. What were the total costs capitalized for taps for each period ending September 30, 2003, 2004, and 2005?
- 1.49 Provide the complete, detailed General Ledger for both Water Service Corporation ("WSC") and Tega Cay for the test year ending September 30, 2005. Please provide in an electronic format (such as Microsoft Excel) on compact disc for import to an electronic spreadsheet.

- 1.50 Provide the Working Trial Balances for WSC and for Tega Cay for fiscal years ending September 30, 2003, 2004, and 2005. Please provide in an electronic format (such as Microsoft Excel) on compact disc for import to an electronic spreadsheet.
- 1.51 Provide a copy of WSC's Distribution of Expenses Report used to allocate expenses for the test year. What accounting period did WSC use to allocate expenses to the September 30, 2005 test year?
- 1.52 Provide a copy of the most recent consolidated financial statements for Utilities, Inc. (UI) and affiliated companies.
- 1.53 Provide the schedule of Long-Term Debt, Equity and Interest Expense on Long-Term Debt used to compute the 59.10%/40.90% debt/equity ratio and the 6.42% cost of debt as used in the Company's application.
- 1.54 Provide continuing property records that show, for each plant account, the amounts of annual additions and retirements, classified so as to show the number and the cost of the various retirement units or other appropriate record units included therein. See the NARUC Uniform System of Accounts for Class A Water and Wastewater Utilities – Accounting Instruction #28 for Utility Plant – Work Order and Property Record System Required. The continuing property Records must provide the following data: (1) name of item(s), serial numbers or other company numbers, and a description of the item(s); (2) location of the property unit(s) and department or subdivision which is responsible for its custody; (3) date acquired and from whom; (4) cost of the asset(s); (5) an estimate of service life and salvage value; (6) other factors pertinent to depreciation accounting such as monthly and yearly rate (percent) and actual dollar deduction; (7) recorded accumulated depreciation; (8) whether depreciation is calculated on a unit or group basis; (9) all additions, modifications, and retirements including physical count and cost as recorded on the CPR; (10) taxing district in which property is located; and (11) asset control account and numbers to which property is charged.
- 1.55 Provide a detailed explanation and examples of the company's current policy for removal of retirement units from plant in service. How is the value of a retirement unit currently determined? What is the basis, source, citing or instructions for the company's current policy?
- 1.56 Does Tega Cay anticipate any change in the financial relationship or capital structure of Tega Cay as a result of the sale of UI to Hydro Star, LLC?
- 1.57 Does UI anticipate issuing widely held and traded stock within the next three years?

- 1.58 Does Tega Cay have any bonded indebtedness? If there is bonded indebtedness secured by Tega Cay, in what amounts were the proceeds of the bonds used? Provide the bond rating and identify the rating company.
- 1.59 Provide the composite tax factor for the test year. The composite tax factor is the decimal fraction which, when divided into the required dollar increase in return results in the required revenue increase before taxes.
- 1.60 Provide a copy of any presentation material that UI (or its subsidiaries) has made to Nuon, Hydrostar or AIG Global Investment Group, in connection with the purchase of Nuon. Include any presentations or summaries referring to Tega Cay that have been made regarding the earnings and earnings potential of Tega Cay.
- 1.61 Provide details for the Plant Acquisition Adjustment for water of \$39,157 and wastewater of \$245,676. Show the computation for the amortization of the Plant Acquisition Adjustment for water of \$716 and wastewater of \$4,494. Explain the circumstances which caused the positive Plant Acquisition Adjustment.
- 1.62 List and describe any settlements as well as pending or potential lawsuits that directly or indirectly have or may have an effect on Tega Cay's customer rates.
- 1.63 List all capital projects of \$100,000 or greater planned by Tega Cay within the next three years.
- 1.64 What were the total earnings during the test year? If earnings were disbursed during the test year, state in what amount and to what entities the earnings were disbursed.
- 1.65 Provide a list of potential witnesses who will testify at the hearing in this case and provide the subject matter for each witness' testimony.
- 1.66 During the past three years, has there been any change in the value of the stocks and the dividends of Tega Cay? State the most recent total value and value per share of Tega Cay stock and dividends. Give the maximum and minimum total and per share value of stocks and dividends for the past three years.

April 21, 2006

Wendy B. Cartledge

Wendy B. Cartledge, Esq.

Jeffrey M. Nelson, Esq.

South Carolina Office of Regulatory Staff

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